

FDIC via changeincontrol@fdic.gov

**FROM: Frank A. Pinto, President/CEO
Pennsylvania Association of Community Bankers (PACB)**

**PACB Executive Committee
PACB Legislative Committee**

SUBJECT: Comment Letter – Home Depot Application for ILC

DATE: June 5, 2006

On behalf of the Pennsylvania Association of Community Bankers, a statewide trade association representing over 300 community banks, I am writing to urge you to deny the application of Home Depot, Inc. to acquire a Utah industrial loan company, EnerBank, and request that the FDIC hold a public hearing on the application. This application is similar to the attempt by Wal-Mart to charter a new ILC and raises the same critical public policy concerns.

The acquisition violates the long-standing policy of the separation of banking and commerce. As a result, it could pose a threat to the Deposit Insurance Fund. Home Depot and EnerBank would both be susceptible to fluctuations in the home improvement market, and Home Depot may not always be a reliable source of strength to the bank.

In addition, the structure of the proposed arrangements between Home Depot and its contractor/customers virtually guarantees that there will be conflicts of interest. Home improvement customers could be the losers, paying more for credit and for their building supplies. Moreover, the arrangement is premised on illegal and improper affiliate arrangements. The proceeds of the loans made by EnerBank that will be transferred to Home Depot or used for the company's benefit will likely exceed the 10 percent-of-capital limitation on affiliate transactions.

This combination could also pose an unfair threat to local lenders that lack a direct tie to a commercial parent. Local banks could lose business currently being provided by local contractors.

Home Depot has made no case that it needs a new credit outlet. In fact, its application states that it "already finance[s] home improvements with credit cards and home improvement loans marketed directly to consumers." There is clearly no need to grant them access to federally insured deposits and further undermine the separation of banking and commerce.

Finally, the Home Depot application, piled on top of the Wal-Mart application and other ILC charters, raises fundamental concerns about the direction of the nation's financial system. PACB believes Congress should decide whether a single state should have the authority to grant a bank charter to any company in any line of business for whatever purpose their marketing department can envision. The potential explosion of the Utah ILC charter has clearly put the nation's financial structure and the health of the newly reformed deposit insurance system at risk. That is why we support the Gillmor/Frank letter circulating in Congress that urges the FDIC to impose a moratorium on new applications for ILC deposit insurance. Thank you for your consideration.